

Initiative Name:

Broadband Implementation Initiatives—MI Broadband Development Authority

Initiative Description:

The MBDA has identified more than 175 firms selling telecommunications or Internet service across the state. Many of these firms are small growing organizations run by local entrepreneurs. The MBDA has established an outreach program to target these firms for loans. These loans will allow such local businesses to expand their service territories (making broadband service more widely available) and hire additional employees. The goal is to contact every licensed firm in the state with the goal of receiving at least one dozen applications.

As a new state agency that must eventually become self-sustaining (no general fund dollars are used by the MBDA), the MBDA initially sought out large multi-million dollar projects from major telecommunications carriers. While a number of positive relationships have been established with these global telecommunications firms, most are not yet making new investments that can be supported by MBDA loans.

At the same time, dozens of smaller (but no less industrious) broadband service providers have sprung up across the state and need capital to expand. Loans to these firms will typically be for less than \$500,000 but the opportunity to help spur the emergence of Michigan-based providers is vitally important. **Based on the level of interest that has grown from outreach efforts, the MBDA predicts that at least one to two loans of this type will be made each month over the next year.** Loans made thus far include the following:

1. ISP Wireless, Inc. of Alma, Michigan

This \$430,000 loan is being used to expand service to the cities of Beaverton, Clare, Coleman, Gladwin, Hemlock, Ithaca and Rosebush. The loan will be used to purchase additional towers and customer premise equipment (modems and small antennas).

2. PCS, Inc. of Jackson, Michigan

This \$510,000 loan to PCS (also a fixed wireless Internet Service Provider) is being used to expand service to the cities of Battle Creek, Birmingham, Brighton, Eaton Rapids, Fenton, Howell, Jackson, Kalamazoo and Lansing. The loan will be used to purchase additional towers and customer premise equipment (modems and small antennas).

3. LDMI, Inc., of Southfield

This \$2,050,000 loan to LDMI (a competitive local exchange carrier—CLEC) will be closed in February and will expand broadband service to small and medium-sized businesses throughout west Michigan—including Grand Rapids, Holland, Kalamazoo and Traverse City. The loan will be used to purchase a major switch and related equipment. LDMI is a growing telecommunications firm headquartered in state. They employ more than 500 people and have roughly 90,000 customers in Michigan & Ohio.

4. Merit Network, Ann Arbor

The MBDA has approved a loan commitment of \$4 million to Merit Networks to link the upper and lower peninsulas by fiber optics. Merit would purchase fiber built by Charter Communications along 900 miles in the region. This fiber network would improve broadband capacity for the entire region. It would also provide a redundant fiber loop to the Upper Peninsula for increased reliability and security (today service into the region is only supported by a connection extending through Wisconsin into the Western U.P.). Merit is a non-profit corporation owned and managed by Michigan's public universities serving over 1 million users a day. It is one of the state's largest Internet service providers (ISPs) and provides services to the majority of schools, colleges and libraries in Michigan. **Note: A \$4 million federal grant is also required to complete this transaction. To date, HUD has not agreed to qualify the project under their CDBG rules. A Congressional earmark is being considered and has been suggested by Members of Congress familiar with the project.**

Even though the project has been stalled pending federal action, Charter Communications has decided to move forward with construction of part of the network (from Petoskey to Sault Ste. Marie). Construction will begin in the spring.

Other projects under consideration include:

- ACD.Net (Lansing)
- Lighthouse.Net (Sault Ste. Marie)
- SpeedNet (Alpena)
- Wayoint Fiber (Lansing)
- Qix (Flint)
- All-in-One Wireless (Greenville)
- OneWorld Communications (Sterling Heights/southeast Michigan)

Expected Outcomes:

Improved broadband access in a number of underserved areas across the state; job growth and investment growth from loan recipients

Progress to date:

- Six loans have been committed or closed, more than one dozen applications have been filed in the 2nd quarter of 2004.